

# Financial Analysis for the Boardroom *Intermediate Case Study*

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# The Speakers

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Analyzing the Company

Assessing the Transaction

Evaluating the Impact


- **Branded apparel and accessories**
- **Wholesale operations across the U.S.**
- **Mature business built from organic growth**
- **Several strategic challenges, but no signs of severe financial distress**

# Summary



*In \$000s*





## Summary View

	2013	2014	2015	2016	2017
<b>1</b> Revenue	\$272,289	\$285,125	\$298,999	\$313,889	\$329,776
<b>2</b> Cost of Goods Sold	114,182	127,143	140,570	154,589	169,219
<b>3</b> Gross Profit	158,107	157,982	158,429	159,300	160,557
<b>4</b> Operating Expenses	123,938	124,270	126,364	127,320	128,611
<b>5</b> EBITDA	34,169	33,712	32,064	31,980	31,946
<b>6</b> Revenue Growth 	n/a	4.7%	4.9%	5.0%	5.1%

CAGR

4.9%

## Common Size (% of Revenue)

						<u>Margin Change</u>
<b>7</b> Cost of Goods Sold	41.9%	44.6%	47.0%	49.2%	51.3%	 9.4%
<b>8</b> Gross Profit	58.1%	55.4%	53.0%	50.8%	48.7%	 -9.4%
<b>9</b> Operating Expenses	45.5%	43.6%	42.3%	40.6%	39.0%	 -6.5%
<b>10</b> EBITDA	12.5%	11.8%	10.7%	10.2%	9.7%	 -2.9%

# Revenue—Volume



<u>Unit Volume (000s)</u>		2013	2014	2015	2016	2017
1	Major Retailers	1,800	1,750	1,700	1,650	1,600
2	Specialty Retailers	350	355	360	365	370
3	Online	150	350	550	750	950
4	Off-Price / Outlet Stores	280	380	480	580	680
5	Total	2,580	2,835	3,090	3,345	3,600
<u>Volume Contribution %</u>						
6	Major Retailers	69.8%	61.7%	55.0%	49.3%	44.4%
7	Specialty Retailers	13.6%	12.5%	11.7%	10.9%	10.3%
8	Online	5.8%	12.3%	17.8%	22.4%	26.4%
9	Off-Price / Outlet Stores	10.9%	13.4%	15.5%	17.3%	18.9%
10	Total	100.0%	100.0%	100.0%	100.0%	100.0%
<u>Volume Change %</u>						
11	Major Retailers	n/a	-2.8%	-2.9%	-2.9%	-3.0%
12	Specialty Retailers	n/a	1.4%	1.4%	1.4%	1.4%
13	Online	n/a	133.3%	57.1%	36.4%	26.7%
14	Off-Price / Outlet Stores	n/a	35.7%	26.3%	20.8%	17.2%
15	Total	n/a	9.9%	9.0%	8.3%	7.6%

<u>ASPs (\$ actual)</u>			2013	2014	2015	2016	2017
1	Major Retailers	✗	\$110.05	\$106.20	\$102.48	\$98.89	\$95.43
2	Specialty Retailers	↔	119.76	117.96	116.19	114.45	112.73
3	Online	★	89.78	90.68	91.58	92.50	93.43
4	Off-Price / Outlet Stores	★	67.20	67.54	67.87	68.21	68.55
5	Total (Weighted Average)		\$105.54	\$100.57	\$96.76	\$93.84	\$91.60
6	% Change		n/a	-4.7%	-3.8%	-3.0%	-2.4%



*In \$000s*

<u>Revenue</u>	2013	2014	2015	2016	2017
<b>1</b> Major Retailers	\$198,090	\$185,847	\$174,218	\$163,176	\$152,693
<b>2</b> Specialty Retailers	41,916	41,877	41,830	41,775	41,712
<b>3</b> Online	13,467	31,737	50,372	69,375	88,754
<b>4</b> Off-Price / Outlet Stores	18,816	25,664	32,579	39,564	46,617
<b>5</b> Total	\$272,289	\$285,125	\$298,999	\$313,889	\$329,776
<b>6</b> % Change	n/a	4.7%	4.9%	5.0%	5.1%

<u>Revenue Change %</u>					
<b>7</b> Major Retailers	n/a	-6.2%	-6.3%	-6.3%	-6.4%
<b>8</b> Specialty Retailers	n/a	-0.1%	-0.1%	-0.1%	-0.2%
<b>9</b> Online	n/a	135.7%	58.7%	37.7%	27.9%
<b>10</b> Off-Price / Outlet Stores	n/a	36.4%	26.9%	21.4%	17.8%
<b>11</b> Total	n/a	4.7%	4.9%	5.0%	5.1%

# Cost of Goods Sold



<u>Cost per Unit (\$ actual)</u>	2013	2014	2015	2016	2017
1 Major Retailers	\$45.10	\$46.09	\$47.11	\$48.14	\$49.20
2 Specialty Retailers	46.90	48.19	49.21	50.24	51.30
3 Online	41.70	42.89	43.91	44.94	46.00
4 Off-Price / Outlet Stores	36.90	37.79	38.81	39.84	40.90
5 Total (Weighted Average)	\$44.26	\$44.85	\$45.49	\$46.22	\$47.01
6 % Change	n/a	1.3%	1.4%	1.6%	1.7%



<u>Gross Profit (in \$000s)</u>	2013	2014	2015	2016	2017
7 Major Retailers	\$116,910	\$105,186	\$94,138	\$83,741	\$73,970
8 Specialty Retailers	25,501	24,769	24,116	23,436	22,730
9 Online	7,212	16,725	26,223	35,668	45,053
10 Off-Price / Outlet Stores	8,484	11,303	13,952	16,455	18,804
11 Total	158,107	157,982	158,429	159,300	160,557

<u>Gross Margins</u>	2013	2014	2015	2016	2017
12 Major Retailers	59.0%	56.6%	54.0%	51.3%	48.4%
13 Specialty Retailers	60.8%	59.1%	57.7%	56.1%	54.5%
14 Online	53.6%	52.7%	52.1%	51.4%	50.8%
15 Off-Price / Outlet Stores	45.1%	44.0%	42.8%	41.6%	40.3%
16 Total	58.1%	55.4%	53.0%	50.8%	48.7%

# Operating Expenses

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*In \$000s*

<u>Operating Expenses</u>	2013	2014	2015	2016	2017
1 Selling & Marketing	\$58,317	\$57,618	\$57,082	\$56,706	\$56,488
2 Information Technology	1,634	2,042	2,553	3,191	3,989
3 Rent	3,540	3,628	5,200	5,330	5,463
4 Compensation, Executives	14,159	14,584	15,021	15,472	15,936
5 Compensation, Others	38,120	38,311	38,503	38,695	38,889
6 Other G&A	8,169	8,087	8,006	7,926	7,847
7 Total	123,938	124,270	126,364	127,320	128,611

# Operating Expenses (cont'd)



*In \$000s*






<u>Operating Expenses</u>		2013	2014	2015	2016	2017
1	Selling & Marketing →	\$58,317	\$57,618	\$57,082	\$56,706	\$56,488
2	Information Technology	1,634	2,042	2,553	3,191	3,989
3	Rent	3,540	3,628	5,200	5,330	5,463
4	Compensation, Executives ✗	14,159	14,584	15,021	15,472	15,936
5	Compensation, Others	38,120	38,311	38,503	38,695	38,889
6	Other G&A ★	8,169	8,087	8,006	7,926	7,847
7	Total	123,938	124,270	126,364	127,320	128,611

<u>Operating Expense Margins</u>		2013	2014	2015	2016	2017
8	Selling & Marketing	21.4%	20.2%	19.1%	18.1%	17.1%
9	Information Technology	0.6%	0.7%	0.9%	1.0%	1.2%
10	Rent	1.3%	1.3%	1.7%	1.7%	1.7%
11	Compensation, Executives	5.2%	5.1%	5.0%	4.9%	4.8%
12	Compensation, Others	14.0%	13.4%	12.9%	12.3%	11.8%
13	Other G&A	3.0%	2.8%	2.7%	2.5%	2.4%
14	Total	45.5%	43.6%	42.3%	40.6%	39.0%

# Selling & Marketing Expenses



*In \$000s*

<u>Selling &amp; Marketing Detail</u>		2013	2014	2015	2016	2017
1	Sales Commissions 	\$36,001	\$34,159	\$32,407	\$30,743	\$29,161
2	Print Advertising 	8,713	8,278	7,864	7,471	7,097
3	Other Media Advertising 	1,634	1,797	1,977	2,174	2,392
4	Online Programs 	1,077	2,539	4,030	5,550	7,100
5	Trade Shows 	3,812	3,907	4,005	4,105	4,208
6	Other	7,080	6,938	6,799	6,663	6,530
7	Total	58,317	57,618	57,082	56,706	56,488

<u>Selling &amp; Marketing Margins</u>		2013	2014	2015	2016	2017
8	Sales Commissions	13.2%	12.0%	10.8%	9.8%	8.8%
9	Print Advertising	3.2%	2.9%	2.6%	2.4%	2.2%
10	Other Media Advertising	0.6%	0.6%	0.7%	0.7%	0.7%
11	Online Programs	0.4%	0.9%	1.3%	1.8%	2.2%
12	Trade Shows	1.4%	1.4%	1.3%	1.3%	1.3%
13	Other	2.6%	2.4%	2.3%	2.1%	2.0%
14	Total	21.4%	20.2%	19.1%	18.1%	17.1%

- What is the plan to address the underperformance in the Majors channel (lower volumes and ASPs)?
- How will management handle the channels to avoid brand dilution and cannibalization?
- Can the Company sell more product online through its own site or specialty e-tailers?
- Are there savings opportunities within COGS (changes to product designs, materials, outsourcing, etc.)?
- Is the supply chain fully-optimized?

- Should the Company reassess its Selling & Marketing strategy in light of market trends?
- Will the decline in Selling & Marketing spending at some point negatively impact the brand and depress sales through the e-commerce channel?
- Is the Company's compensation plan aligned with the current trends and future company goals?

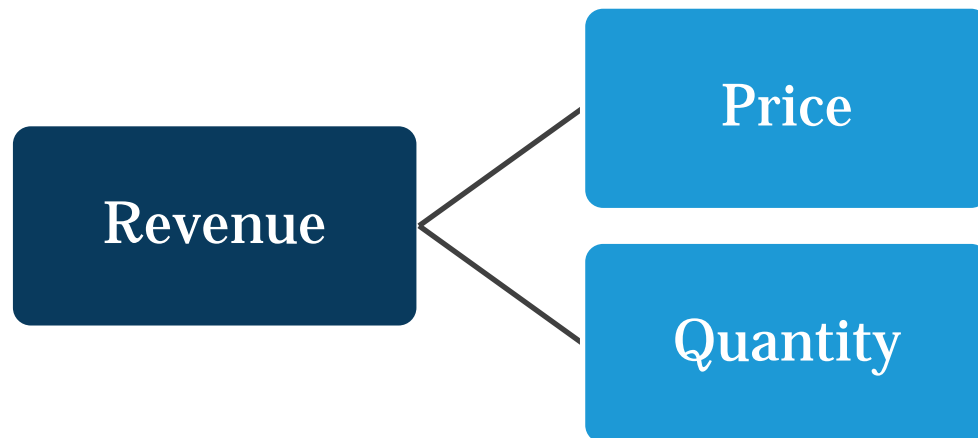
- Financial Analysis is like...

A dark blue rounded rectangle containing the word "Revenue" in white serif font.

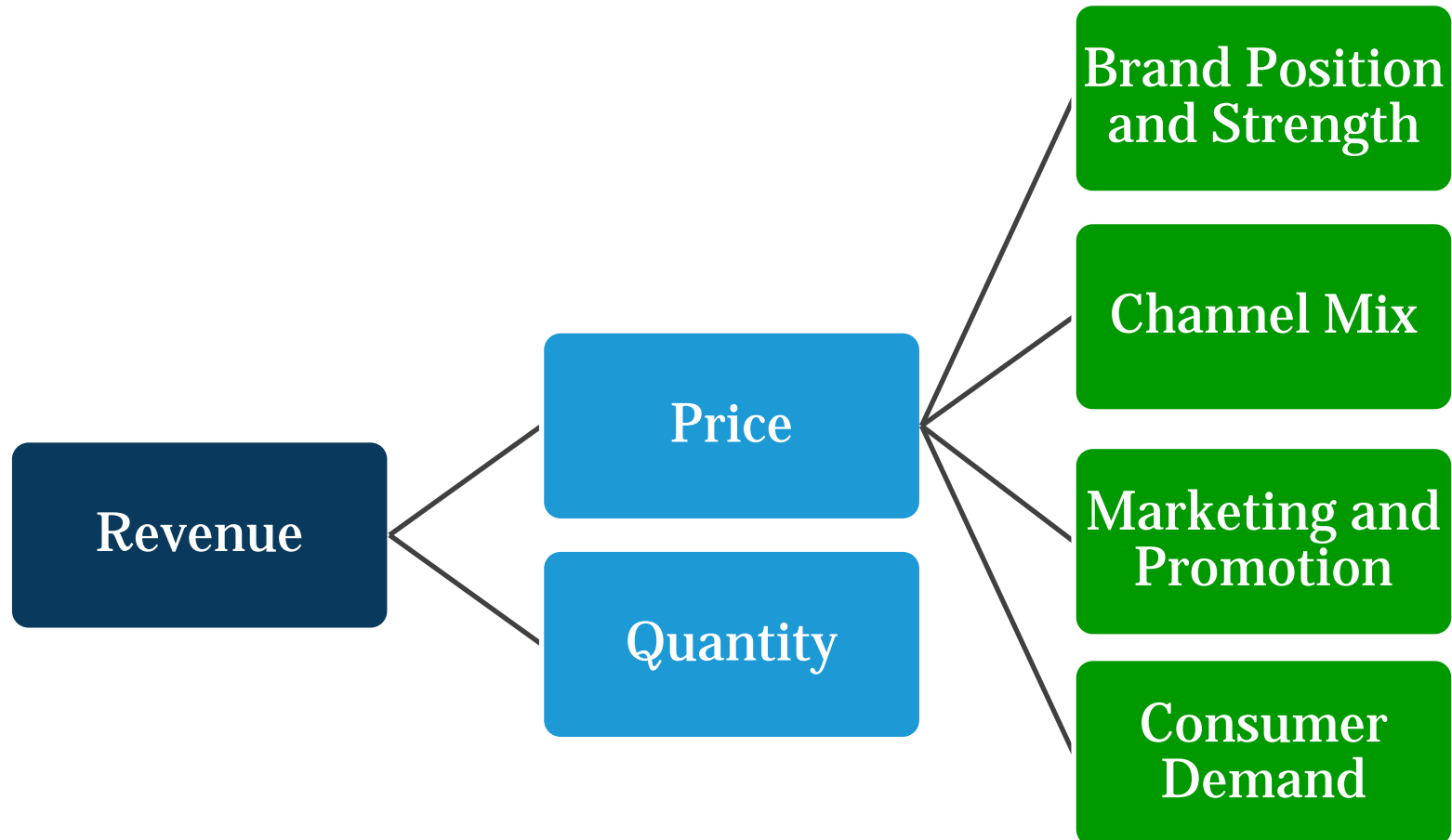
Revenue



- Financial Analysis is like “peeling...”



- Financial Analysis is like “peeling an artichoke”



Analyzing the Company

Assessing the Transaction

Evaluating the Impact

## Business Unit

- Business unit (“BU”) focused on accessories
- Distant second in terms of strategic importance
- Lackluster historical performance and marginal outlook

## Transaction

- Unsolicited offer from strategic buyer
- Asset sale in a cash-free, debt-free transaction
- Price: \$21 million in cash

## Business Unit and Transaction Metrics



<i>In \$000s</i>	Before Sale		
	Retained	BU	Total
1 Revenue	\$274,176	\$55,600	\$329,776
2 Costs and Expenses	243,730	54,100	297,830
3 EBITDA	30,446	1,500	31,946
4 <i>Margin</i>	11.1%	2.7%	9.7%
5 Capital Expenditures	4,113	556	4,669
6 <i>% of Revenue</i>	1.5%	1.0%	1.4%
7 Enterprise Value		\$21,000	\$265,000

*Enterprise Value = Debt + Equity – Cash*

# Business Unit and Transaction Metrics



<i>In \$000s</i>	Before Sale			BU % of Total
	Retained	BU	Total	
1 Revenue	\$274,176	\$55,600	\$329,776	16.9%
2 Costs and Expenses	243,730	54,100	297,830	18.2%
3 EBITDA	30,446	1,500	31,946	4.7%
4 <i>Margin</i>	11.1%	2.7%	9.7%	
5 Capital Expenditures	4,113	556	4,669	
6 <i>% of Revenue</i>	1.5%	1.0%	1.4%	
7 Enterprise Value		\$21,000	\$265,000	
8 EV / Revenue Multiple		0.38 x	0.80 x	
9 EV / EBITDA Multiple		14.0 x	8.3 x	

*Enterprise Value = Debt + Equity – Cash*

# Comparable Public Companies



<i>In \$ millions</i>			Multiples	
		Enterprise	LTM	LTM
	Comparable Public Companies	Value	Net Sales	EBITDA
1	Ralph Lauren Corporation	\$7,726.6	1.24 x	7.9 x
2	Perry Ellis International, Inc.	430.9	0.51 x	8.4 x
3	Oxford Industries, Inc.	1,331.7	1.26 x	9.9 x
4	Hanesbrands Inc.	11,219.3	1.73 x	10.7 x
5	V.F. Corporation	32,078.2	2.72 x	17.7 x
6	Columbia Sportswear Company	4,621.6	1.87 x	14.3 x
7	Deckers Outdoor Corporation	2,499.6	1.34 x	10.4 x
8	Fossil Group, Inc.	706.3	0.25 x	6.2 x
9	High		2.72 x	17.7 x
10	Average		1.37 x	10.7 x
11	Median		1.30 x	10.2 x
12	Low		0.25 x	6.2 x
13	Company	\$265.0	0.80 x	8.3 x
14	BU	21.0	0.38 x	14.0 x

*LTM = Latest Twelve Months*

# Comparable Public Companies (cont'd)



*In \$ millions*

Comparable Public Companies	Enterprise Value	Multiples		LTM Net Sales	LTM EBITDA	LTM EBITDA Margin
		LTM Rev	LTM EBITDA			
1 Ralph Lauren Corporation	\$7,726.6	1.24 x	7.9 x	\$6,218.5	\$974.7	15.7%
2 Perry Ellis International, Inc.	430.9	0.51 x	8.4 x	851.7	51.1	6.0%
3 Oxford Industries, Inc.	1,331.7	1.26 x	9.9 x	1,054.1	134.0	12.7%
4 Hanesbrands Inc.	11,219.3	1.73 x	10.7 x	6,471.4	1,050.7	16.2%
5 V.F. Corporation	32,078.2	2.72 x	17.7 x	11,811.2	1,814.1	15.4%
6 Columbia Sportswear Company	4,621.6	1.92 x	14.5 x	2,407.5	318.5	13.2%
7 Deckers Outdoor Corporation	2,499.6	1.37 x	10.5 x	1,822.0	238.5	13.1%
8 Fossil Group, Inc.	706.3	0.25 x	6.2 x	2,788.2	113.1	4.1%
9 High		2.72 x	17.7 x			16.2%
10 Average		1.38 x	10.7 x			12.0%
11 Median		1.32 x	10.2 x			13.2%
12 Low		0.25 x	6.2 x			4.1%
13 Company	\$265.0	0.80 x	8.3 x	\$329.8	\$31.9	9.7%
14 BU	21.0	0.38 x	14.0 x	55.6	1.5	2.7%

*LTM = Latest Twelve Months*



# Comparable Public Companies (cont'd)



*In \$ millions*

Comparable Public Companies	Enterprise Value	Multiples		LTM EBITDA Margin	1-Year Hist Growth		1-Year Proj Growth	
		LTM Rev	LTM EBITDA		Rev	EBITDA	Rev	EBITDA
1 Ralph Lauren Corporation	\$7,726.6	1.24 x	7.9 x	15.7%	-10.2%	-10.9%	-8.0%	-7.7%
2 Perry Ellis International, Inc.	430.9	0.51 x	8.4 x	6.0%	-4.3%	-11.3%	3.1%	59.1%
3 Oxford Industries, Inc.	1,331.7	1.26 x	9.9 x	12.7%	5.5%	2.9%	6.2%	0.4%
4 Hanesbrands Inc.	11,219.3	1.73 x	10.7 x	16.2%	7.4%	4.5%	-0.2%	-0.1%
5 V.F. Corporation	32,078.2	2.72 x	17.7 x	15.4%	-1.7%	-5.8%	2.8%	6.7%
6 Columbia Sportswear Company	4,621.6	1.92 x	14.5 x	13.2%	2.2%	3.4%	3.1%	1.1%
7 Deckers Outdoor Corporation	2,499.6	1.37 x	10.5 x	13.1%	-4.5%	-16.2%	1.4%	19.7%
8 Fossil Group, Inc.	706.3	0.25 x	6.2 x	4.1%	-8.4%	-54.2%	-1.2%	-18.3%
9 High		2.72 x	17.7 x	16.2%				
10 Average		1.38 x	10.7 x	12.0%				
11 Median		1.32 x	10.2 x	13.2%				
12 Low		0.25 x	6.2 x	4.1%				
13 Company	\$265.0	0.80 x	8.3 x	9.7%	5.1%	-0.1%	5.3%	0.1%
14 BU	21.0	0.38 x	14.0 x	2.7%	-0.2%	-0.3%	0.1%	0.2%

*LTM = Latest Twelve Months*

# Comparable M&A Transactions



*In \$ millions*

Target	Buyer	Closing Date	Enterprise Value	Multiples		LTM Rev	LTM EBITDA	LTM EBITDA Margin
				LTM Rev	LTM EBITDA			
1 Kate Spade & Company	Coach, Inc.	7/10/17	\$2,379.9	1.73 x	10.4 x	\$1,378.3	\$228.2	16.6%
2 Velvet Inc.	Adastria USA, Inc.	Pending	37.0	0.95 x	n/a	39.0	n/a	n/a
3 Peds Legwear Inc.	Gildan Activewear	8/22/16	55.0	0.69 x	n/a	80.0	n/a	n/a
4 FNG Group N	R&S Retail Group NV	8/19/16	233.0	0.89 x	8.0 x	260.5	29.3	11.2%
5 Pacific Brands Limited	Hanesbands Inc.	7/14/16	775.0	1.29 x	13.0 x	599.6	59.4	9.9%
6 Champion Europe S.p.A	Hanesbands Inc.	6/30/16	228.0	n/a	10.0 x	n/a	22.8	n/a
7 Corneliani S.p.A	Investcorp Bank	6/20/16	100.0	0.81 x	n/a	124.0	n/a	n/a
8 A&G Inc.	Gildan Activewear	5/25/16	109.4	0.60 x	5.8 x	183.0	19.0	10.4%
9 High				1.73 x	13.0 x			
10 Average				0.99 x	9.4 x			
11 Median				0.89 x	10.0 x			
12 Low				0.60 x	5.8 x			
13 Company			\$265.0	0.80 x	8.3 x	\$329.8	\$31.9	9.7%
14 BU			21.0	0.38 x	14.0 x	55.6	1.5	2.7%

*LTM = Latest Twelve Months*

- BU has lackluster historical performance and marginal outlook
- Quick sale of non-strategic asset
- Management focus on core apparel business
- EBITDA deal multiple of 14x is toward the upper end of the market range
- Transaction Price  $\geq$  Fair Market Value?

Analyzing the Company

Assessing the Transaction

Evaluating the Impact

# Direct vs. Allocated View



*In \$000s*

	Before Sale			BU Detail		
	Retained	BU	Total	Direct	Allocated	Total
1 Revenue	\$274,176	\$55,600	\$329,776	\$55,600	\$0	\$55,600
2 Costs and Expenses	243,730	54,100	297,830	51,600	2,500	54,100
3 EBITDA	30,446	1,500	31,946	4,000	(2,500)	1,500
4 <i>Margin</i>	11.1%	2.7%	9.7%	7.2%	n/a	2.7%
5 Capital Expenditures	4,113	556	4,669	306	250	556
6 <i>% of Revenue</i>	1.5%	1.0%	1.4%	0.6%	n/a	1.0%
7 Enterprise Value		\$21,000	\$265,000	\$21,000		\$21,000
8 EV / Revenue Multiple		0.38 x	0.80 x	0.38 x		0.38 x
9 EV / EBITDA Multiple		14.0 x	8.3 x	5.3 x		14.0 x

# Direct vs. Allocated View (cont'd)



<i>In \$000s</i>	Before Sale			BU Detail			After Sale
	Retained	BU	Total	Direct	Allocated	Total	Total
1 Revenue	\$274,176	\$55,600	\$329,776	\$55,600	\$0	\$55,600	\$274,176
2 Costs and Expenses	243,730	54,100	297,830	51,600	2,500	54,100	246,230
3 EBITDA	30,446	1,500	31,946	4,000	(2,500)	1,500	27,946
4 Margin	11.1%	2.7%	9.7%	7.2%	n/a	2.7%	10.2%
5 Capital Expenditures	4,113	556	4,669	306	250	556	4,363
6 % of Revenue	1.5%	1.0%	1.4%	0.6%	n/a	1.0%	1.6%
7 Enterprise Value		\$21,000	\$265,000	\$21,000		\$21,000	?
8 EV / Revenue Multiple		0.38 x	0.80 x	0.38 x		0.38 x	
9 EV / EBITDA Multiple		14.0 x	8.3 x	5.3 x		14.0 x	
Costs and Expenses	243,730				2,500		246,230

*In \$000s*

Enterprise Value	View #1		
	Before	After	Change
1 EBITDA	\$31,946	\$27,946	(\$4,000)
2 Multiple	8.3 x	8.3 x	0.0 x
3 Enterprise Value	265,000	231,819	(33,181)
4 Add: Sale Proceeds			21,000
5 Net Economic Benefit to Company			<u>(\$12,181)</u>

*Transaction provides \$21 million of proceeds in exchange for \$4 million of annual EBITDA*

## Value Impact (cont'd)



*In \$000s*

Enterprise Value	View #1			View #2		
	Before	After	Change	Before	After	Change
1 EBITDA	\$31,946	\$27,946	(\$4,000)	\$31,946	\$27,946	(\$4,000)
2 Multiple	8.3 x	8.3 x	0.0 x	8.3 x	9.0 x	0.7 x
3 Enterprise Value	265,000	231,819	(33,181)	265,000	251,510	(13,490)
4 Add: Sale Proceeds			21,000			21,000
5 Net Economic Benefit to Company			<u>(\$12,181)</u>			<u>\$7,510</u>

*Transaction could erode shareholder value unless the capital markets view the Company's operations more favorably post-sale*



## Value Impact (cont'd)



*In \$000s*

Enterprise Value	Changes		View #3		
	View #1	View #2	Before	After	Change
1 EBITDA	(\$4,000)	(\$4,000)	\$31,946	\$28,946	(\$3,000)
2 Multiple	0.0 x	0.7 x	8.3 x	9.0 x	0.7 x
3 Enterprise Value	(33,181)	(13,490)	265,000	260,510	(4,490)
4 Add: Sale Proceeds	21,000	21,000			21,000
5 Net Economic Benefit to Company	<u>(\$12,181)</u>	<u>\$7,510</u>			<u>\$16,510</u>

*Transaction could erode shareholder value unless the capital markets view the Company's operations more favorably post-sale*

*In \$000s*

<u>Debt Service Capacity</u>		<u>Before</u>	<u>After</u>	<u>Change</u>
<b>1</b>	Debt	\$105,000	\$105,000	\$0
<b>2</b>	EBITDA	31,946	27,946	(4,000)
<b>3</b>	Debt / EBITDA	3.3 x	3.8 x	0.5 x

# Financing Impact (cont'd)



*In \$ millions*

Comparable Public Companies	Debt	LTM EBITDA	Debt / EBITDA	Debt / EV
1 Ralph Lauren Corporation	\$924.0	\$974.7	0.9 x	12.6%
2 Perry Ellis International, Inc.	90.6	51.1	1.8 x	11.9%
3 Oxford Industries, Inc.	72.1	134.0	0.5 x	10.1%
4 Hanesbrands Inc.	3,963.5	1,050.7	3.8 x	9.4%
5 V.F. Corporation	2,923.3	1,837.8	1.6 x	5.7%
6 Columbia Sportswear Company	0.0	318.5	0.0 x	6.9%
7 Deckers Outdoor Corporation	165.3	238.5	0.7 x	9.5%
8 Fossil Group, Inc.	446.0	113.1	3.9 x	16.0%
9 High			3.9 x	16.0%
10 Average			1.7 x	10.3%
11 Median			1.3 x	9.8%
12 Low			0.0 x	5.7%
13 Company, Before	\$105.0	\$31.9	3.3 x	39.6%
14 Company, After	105.0	27.9	3.8 x	n/a

## Financing Impact (cont'd)



<u>Debt Service Capacity</u>		<u>Before</u>	<u>After</u>	<u>Change</u>
<b>1</b>	Debt	\$105,000	\$105,000	\$0
<b>2</b>	EBITDA	31,946	27,946	(4,000)
<b>3</b>	Debt / EBITDA	3.3 x	3.8 x	0.5 x
<b>4</b>	Depreciation	8,244	7,540	(705)
<b>5</b>	EBIT	23,701	20,406	(3,295)
<b>6</b>	Interest Expense	7,350	7,350	0
<b>7</b>	Pretax Income	16,351	13,056	(3,295)
<b>8</b>	Taxes	4,088	3,264	(824)
<b>9</b>	Net Income	\$12,263	\$9,792	(\$2,472)
<b>10</b>	add: Depreciation	8,244	7,540	(705)
<b>11</b>	less: Capital Expenditures	(4,669)	(4,363)	306
<b>12</b>	After-Tax Cash Flow	15,839	12,969	(2,870)
<b>13</b>	EBIT / Interest Expense	3.2 x	2.8 x	-0.4 x
<b>14</b>	Debt / (EBITDA-Capex)	3.8 x	4.5 x	0.6 x

- How are costs allocated?
- If BU is retained, what actions can management take to improve its growth and profitability?
- If BU is sold, what actions can management take to reduce costs that were previously allocated to the BU?
- If BU is sold, what is management's degree of confidence that the Company will be rewarded with a higher multiple?
- If BU is sold, what should the Company do with the sales proceeds?
  - Invest in other growth areas of the business
  - Pay down debt
  - Pay special dividend to shareholders

- Dig deeper, but avoid “analysis paralysis”
  - Let KPIs lead the financial analysis
- Analyze a transaction (or strategic decision) through a costs vs. benefits framework
  - Start with what you win, but don’t ignore what you lose
- Determine factors that are known, knowable, or only guesstimates
  - Weight or wait accordingly

# Thank you!



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